

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name White Cloud Area Fire Department	County Newaygo
Fiscal Year End March 31, 2007		Opinion Date July 31, 2007		Date Audit Report Submitted to State September 9, 2007	

We affirm that:

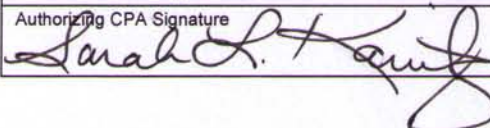
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No letter was issued	
Other (Describe)	<input type="checkbox"/>	No other reports were required	
Certified Public Accountant (Firm Name) Lake Michigan CPA Services, PLC		Telephone Number (231) 690-5217	
Street Address 239 N. Jebavy Drive, Suite A		City Ludington	State MI
		Zip 49431	
Authorizing CPA Signature 	Printed Name Sarah L. Kanitz		License Number 1101027051

White Cloud Area Fire Department
Newaygo County, Michigan
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2007

White Cloud Area Fire Department

List of Appointed Officials

Chairman:	Thomas Worden
Vice Chairman:	Murry Stocking
Secretary:	Martha Worden
Treasurer:	Shirley Schmidt
Board Members:	Don Barnhard
	Herm Becker
	Gorginia Burns
	Don Clary
	Butch Duer
	William Hamilton
	Frank Sauder
Fire Chief	Duane Cruzan
Bookkeeper:	Sharon Noggle

White Cloud Area Fire Department

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Balance Sheet/Statement of Net Assets.....	7
Reconciliation of the Balance Sheet of governmental funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the Statement of Activities	10
Notes to the Financial Statements	11-16
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	17
Budgetary Comparison Schedule—Building Fund	18
Budgetary Comparison Schedule—Capital Acquisition Fund	19
Other Supplemental Information	
Combining Balance Sheet—Nonmajor Governmental Funds	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds	21



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INDEPENDENT AUDITOR'S REPORT

July 31, 2007

Fire Board
White Cloud Area Fire Department
White Cloud, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the White Cloud Area Fire Department, as of and for the year ended March 31, 2007, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White Cloud Area Fire Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the White Cloud Area Fire Department, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3-6 and 17-19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements what collectively comprise the White Cloud Area Fire Department's basic financial statements. The combining and individual nonmajor fund financial statements on pages 20-21 are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lake Michigan CPA Services, PLC
Ludington, Michigan

White Cloud Area Fire Department

Management's Discussion and Analysis

For the Year Ended March 31, 2007

The Management's Discussion and Analysis report of the White Cloud Area Fire Department covers the Department's financial performance during the year ended March 31, 2007.

Financial Highlights

Our financial status remained stable over the last year. The General Fund reflected revenues in excess of expenditures of \$42,587, and \$42,702 was transferred to the capital acquisition fund to pay for future asset purchases and maintenance.

Net capital assets at March 31, 2007 totaled \$457,473, compared to \$489,305 the prior year. A computer was purchased in the 2007 fiscal year at a cost of \$1,234. The net decrease in capital assets was due to depreciation of \$33,066. During the year, we incurred costs to repair the 1991 pumper truck. These costs were not capitalized, as they did not extend the life of the truck.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Department's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Department also includes in this report additional information to supplement the basic financial statements.

Fund Financial Statements.

The first five columns of the financial statements include information about the Department's General Fund, two major funds, other governmental funds, and a total of these governmental funds under the modified accrual method of accounting. The fund financial statements focus on current resources and provide a detailed view of the Department's sources and uses of funds. Major funds are reported in separate columns while all others are combined into an aggregated presentation. The White Cloud Area Fire Department has six governmental funds, of which three are considered to be major funds. The General Fund, the Building Fund, and the Capital Acquisition Fund were determined to be major funds for the year ended March 31, 2007.

Adjustments

The Adjustments columns of the financial statements represent necessary adjustments to convert the modified accrual statements to a government-wide presentation under the full accrual method of accounting.

Government-Wide Financial Statements

The last column of the financial statements presents the government-wide financial statements. This column is designed to give a view of the entity as a whole and provide both long-term and short-term information about the Department's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

White Cloud Area Fire Department

Management's Discussion and Analysis

For the Year Ended March 31, 2007

Statement of Net Assets

The Statement of Net Assets is the Department-wide statement of financial position presenting information that includes all of the Department's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Department and whether the financial condition is improving or deteriorating.

The net assets are divided into three types, including Invested in Capital Assets, Restricted Net Assets, and Unrestricted Net Assets. The net assets reported as invested in capital assets are used to provide services to the residents within the Fire District boundaries, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets, of which there is no related debt, totaled \$457,473 at March 31, 2007 and \$489,305 at March 31, 2006. The unrestricted net assets depicted a fund balance of \$17,077 at the end of the 2007 fiscal year. This represents the amount of discretionary resources that can be used for general fire operations. Restricted net assets totaled \$119,422, which represent funds to be used for future capital improvements. Total net assets at March 31, 2007 were \$593,972. At March 31, 2006, net assets were \$574,961. A summary of the Department's net assets is provided below.

Summary of Net Assets

	March 31, 2007	March 31, 2006
ASSETS		
Cash and cash equivalents	\$ 136,499	\$ 85,656
Capital assets, net		
Depreciable	457,473	489,305
Total assets	<u>\$ 593,972</u>	<u>\$ 574,961</u>
 NET ASSETS		
Invested in capital assets	\$ 457,473	\$ 489,305
Restricted for capital projects	119,422	-
Unrestricted	17,077	85,656
	<u>\$ 593,972</u>	<u>\$ 574,961</u>

Statement of Activities

The Statement of Activities reports how the Department's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The largest source of revenue for the Department is contributions from other local governmental units. During fiscal year 2007, these contributions were \$166,880, or 87% of total revenues. This is comparative to the prior year, which reflected contributions of \$157,387. The largest fiscal year 2007 expenses were for salaries and wages of \$39,194, firefighters gear and equipment of \$22,063, repairs and

White Cloud Area Fire Department

Management's Discussion and Analysis

For the Year Ended March 31, 2007

maintenance of \$23,223 and insurance and bonds of \$19,363. A summary of the statement of activities follows.

Summary of the Statement of Net Assets

	March 31, 2007	March 31, 2006
REVENUES		
Contribution from local governments	\$ 166,880	\$ 157,387
Charges for services	500	-
Fundraising activities	14,195	15,451
Investment earnings	1,385	1,020
Other contributions	1,275	-
Miscellaneous	6,842	28,625
Total revenues	191,077	202,483
EXPENDITURES		
Salaries and wages	39,194	39,303
Payroll taxes	3,434	3,155
Office expense	1,764	2,203
Professional services	1,200	1,200
Insurance and bonds	19,363	18,704
Utilities	8,290	8,324
Fundraising expense	9,777	-
Operating supplies	3,038	43,620
Fuel	3,977	-
Transportation	1,150	1,005
Firefighter gear and equipment	22,063	29,248
Repairs and maintenance	23,223	1,016
Training	380	908
Miscellaneous	2,147	1,372
Depreciation	33,066	38,430
Total expenditures	172,066	188,488
Change in net assets	19,011	13,995
Net assets at April 1, 2006	574,961	560,966
Net assets at March 31, 2007	\$ 593,972	\$ 574,961

Modified Accrual Financial Statements

The Departments utilizes six separate funds to account for different functions within the Fire Department. The General Fund is the primary operating fund, which accounts for the

White Cloud Area Fire Department

Management's Discussion and Analysis

For the Year Ended March 31, 2007

firefighter's wages and fringes, payment of insurance and bonds, office expense, firefighters gear, equipment purchases, maintenance, and other general functions. The operation of the Fire Department is funded by an amount equal to 1.5 mills from the City of White Cloud, the townships of Everett, Lincoln, and Wilcox, and that portion of Sherman Township within the Fire District. The most significant asset of the General Fund is cash of \$30,486. At the end of the 2007 fiscal year, the General Fund's fund balance was \$30,486, which was similar to the prior year fund balance of \$30,601, due to a year-end transfer out to the Capital Acquisition Fund.

The Building Fund is used to save for a new fire hall, which has been funded by private donations and fundraisers. There were only small expenditures in this fund during the current fiscal year and the fund balance only changed by \$702 from the prior year. The Building Fund's assets at March 31, 2007 and 2006 consisted of cash and investments of \$19,621 and \$18,919, respectively.

The Capital Acquisition Fund is used to account for the purchase of capital assets for the Department. At year end, the Department had assets and fund balance of \$69,691 in this fund, with no liabilities. This compares to \$21,955 at March 31, 2006. The increase in fund balance was due mainly to a transfer from the General Fund of \$42,702.

Budget Highlights

The adopted General Fund budget for March 31, 2007 fiscal year showed planned revenue of \$170,415, expenditures of \$165,415, and \$5,000 of transfers out. Throughout the year, a few minor line items were changes, but the total revenue and expenditure budgets remained unchanged.

The adopted Building Fund budget and Capital Acquisition Fund budgets are also included at the end of this report. There were no budget amendments or budget violations in either of these funds during the 2007 fiscal year.

General Economic Overview

The White Cloud Area Fire Department plans to maintain its financial stability over the course of the next fiscal year. The main source of revenue for the Department is contributions from other local units of government, which are expected to remain at about the same level of what was experienced in the current fiscal year. Expenditures are also planned to remain consistent with the 2007 fiscal year.

Requests for Information

If you have any questions concerning this report please contact the Fire Department Treasurer at PO Box 911, White Cloud, MI 49349

White Cloud Area Fire Department
Balance Sheet/Statement of Net Assets
March 31, 2007

	Balance Sheet - Modified accrual					Statement of	
	General	Building	Capital	Other		Net Assets -	
	Fund	Fund	Acquisition	Governmental	Total	Adjustments	Full
			Fund	Funds			Accrual
ASSETS							
Cash and investments	\$ 30,486	\$ 19,621	\$ 69,691	\$ 16,701	\$ 136,499	\$ -	\$ 136,499
Capital assets, net						-	
Depreciable	-	-	-	-	-	457,473	457,473
Total assets	<u>\$ 30,486</u>	<u>\$ 19,621</u>	<u>\$ 69,691</u>	<u>\$ 16,701</u>	<u>\$ 136,499</u>	<u>457,473</u>	<u>593,972</u>
FUND BALANCES							
Unreserved							
Designated for:							
Firemen's Recognition	\$ 376	\$ -	\$ -	\$ -	\$ 376	(376)	-
Building and equipment							
repair and replacement	30,110	19,621	69,691	-	119,422	(119,422)	-
Undesignated	-	-	-	16,701	16,701	(16,701)	-
Total fund balances	<u>\$ 30,486</u>	<u>\$ 19,621</u>	<u>\$ 69,691</u>	<u>\$ 16,701</u>	<u>\$ 136,499</u>	<u>(136,499)</u>	<u>-</u>
NET ASSETS							
Invested in capital assets						457,473	457,473
Restricted for capital projects						119,422	119,422
Unrestricted						17,077	17,077
						<u>\$ -</u>	<u>\$ 593,972</u>

The accompanying notes are an integral part of this statement.

White Cloud Area Fire Department
Reconciliation of the Balance Sheet of the governmental funds
to the Statement of Net Assets
March 31, 2007

Total fund balance—governmental funds	\$ 136,499
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	802,596	
Accumulated depreciation	<u>(345,123)</u>	457,473

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>593,972</u></u>
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The accompanying notes are an integral part of this statement.

White Cloud Area Fire Department
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities
For the year ended March 31, 2007

	Revenues and Expenditures - Modified accrual					Adjustments	Statement of Activities - Full Accrual
	General Fund	Building Fund	Capital Acquisition Fund	Other Governmental Funds	Total		
REVENUES							
Contribution from local governments							
City of White Cloud	\$ 23,206	\$ -	\$ -	\$ -	\$ 23,206	\$ -	\$ 23,206
Everett Township	53,218	-	-	-	53,218	-	53,218
Lincoln Township	44,171	-	-	-	44,171	-	44,171
Sherman Township	16,310	-	-	-	16,310	-	16,310
Wilcox Township	29,975	-	-	-	29,975	-	29,975
Charges for services	-	-	500	-	500	-	500
Fundraising activities	-	-	-	14,195	14,195	-	14,195
Investment earnings	556	716	-	113	1,385	-	1,385
Other contributions	1,000	-	-	275	1,275	-	1,275
Miscellaneous	2,015	-	4,534	293	6,842	-	6,842
Total revenues	170,451	716	5,034	14,876	191,077	-	191,077
EXPENDITURES							
Salaries and wages	39,194	-	-	-	39,194	-	39,194
Payroll taxes	3,434	-	-	-	3,434	-	3,434
Office expense	1,764	-	-	-	1,764	-	1,764
Professional services	1,200	-	-	-	1,200	-	1,200
Insurance and bonds	19,363	-	-	-	19,363	-	19,363
Utilities	8,290	-	-	-	8,290	-	8,290
Fundraising expense	-	-	-	9,777	9,777	-	9,777
Operating supplies	3,038	-	-	-	3,038	-	3,038
Fuel	3,977	-	-	-	3,977	-	3,977
Transportation	1,150	-	-	-	1,150	-	1,150
Firefighter gear and equipment	19,470	14	-	2,579	22,063	-	22,063
Repairs and maintenance	23,223	-	-	-	23,223	-	23,223
Training	380	-	-	-	380	-	380
Miscellaneous	2,147	-	-	-	2,147	-	2,147
Capital outlay	1,234	-	-	-	1,234	(1,234)	-
Depreciation	-	-	-	-	-	33,066	33,066
Total expenditures	127,864	14	-	12,356	140,234	31,832	172,066
Excess of revenues over expenditures	42,587	702	5,034	2,520	50,843	(31,832)	19,011
OTHER FINANCING SOURCES (USES)							
Transfer in	-	-	42,702	-	42,702	(42,702)	-
Transfer out	(42,702)	-	-	-	(42,702)	42,702	-
	(42,702)	-	42,702	-	-	-	-
Net change in fund balances/net assets	(115)	702	47,736	2,520	50,843	(31,832)	19,011
Fund balances/net assets at April 1, 2006	30,601	18,919	21,955	14,181	85,656	489,305	574,961
Fund balances/net assets at March 31, 2007	\$ 30,486	\$ 19,621	\$ 69,691	\$ 16,701	\$ 136,499	\$ 457,473	\$ 593,972

The accompanying notes are an integral part of this statement.

White Cloud Area Fire Department
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the governmental funds to the Statement of Activities
For the year ended March 31, 2007

Net changes in fund balances - total governmental funds	\$ 50,843
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(33,066)
Capital outlay	1,234

Change in net assets of governmental activities	\$ <u>19,011</u>
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The accompanying notes are an integral part of this statement.

White Cloud Area Fire Department

Notes to the Financial Statements

March 31, 2007

I. Summary of significant accounting policies

The accounting policies of the White Cloud Area Fire Department (Department) have been prepared to conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the White Cloud Area Fire Department.

A. Reporting entity

The White Cloud Area Fire Department, located in Newaygo County, was established pursuant to the provisions of Public Act 33 of 1951, the Michigan Fire Protection Act, to administer and serve participating fire districts within Newaygo County. The Department is funded by an amount equal to 1.5 mills from the townships of Everett, Lincoln, and Wilcox, and the portion of the City of White Cloud and Sherman Township within the Fire District. The Department operates under the direction of a eleven member board, with two representatives appointed by each participating governmental unit, plus one member at large. Under the criteria established by accounting principles generally accepted in the United States of America, the Department has determined that there are no component units which should be included in its reporting entity, as it does not have certain oversight responsibilities over other organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Financial statements are also provided for governmental funds, with major individual governmental funds reported as separate columns in the fund financial statements and nonmajor governmental funds combined. The Department has six governmental funds, three of which are considered major funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under

White Cloud Area Fire Department

Notes to the Financial Statements

March 31, 2007

accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Department are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The White Cloud Area Fire Department reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Fund is used to account for savings for a new fire hall.

The Capital Acquisition Fund is used to account for the purchase of capital assets for the Department.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as needed.

White Cloud Area Fire Department

Notes to the Financial Statements

March 31, 2007

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Department has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Department to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

3. Capital assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major capital outlays for assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	3-20
Vehicles	10-20

White Cloud Area Fire Department

Notes to the Financial Statements

March 31, 2007

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Fire Board treasurer prepares the budget and submits it to the Fire Board prior to February 1. The operating budget includes proposed expenditures and the means of financing them. The budget is approved by a simple majority of the Fire Board. The proposed budget is submitted to participating municipalities, who then appropriate the funds. Prior to the end of the fiscal year, the Fire Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2007, the Department had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Moody's</u>	<u>Percent</u>
Negotiable certificates of deposit	\$23,350	1	Not rated	100%

Interest Rate Risk

The Department has a formal investment policy, but the policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

White Cloud Area Fire Department

Notes to the Financial Statements

March 31, 2007

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Department's investment policy does not further limit its investment options.

Concentration of Credit Risk

The Department Fire Board places no limit on the amount that the Department may invest in any one issuer.

Custodial Credit Risk - Deposits

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. State law does not require, and the Department does not have, a deposit policy for custodial credit risk. As of March 31, 2007, \$123,350 of the Department's governmental funds' deposits was insured by federal depository insurance, and \$26,227 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Foreign currency risk

The Department is not authorized to invest in securities which have this type of risk.

B. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Governmental activities				
Capital assets, being depreciated				
Equipment	\$ 169,860	\$ 1,234	\$ -	\$ 171,094
Vehicles	631,502	-	-	631,502
Total capital assets, being depreciated	801,362	1,234	-	802,596
Less: accumulated depreciation	312,057	33,066	-	345,123
Capital assets, net	<u>\$ 489,305</u>	<u>\$ (31,832)</u>	<u>\$ -</u>	<u>\$ 457,473</u>

White Cloud Area Fire Department

Notes to the Financial Statements

March 31, 2007

C. Interfund transfers

Interfund transfers during the 2007 fiscal year consisted of the following:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Capital Acquisition	\$42,702

The transfers from the General Fund were made to fund future asset replacements and maintenance.

D. Fund balance restrictions

The Department's restricted net assets at March 31, 2007 consisted of assets restricted for capital acquisitions.

E. Other information

Risk management

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Required supplementary information

White Cloud Area Fire Department

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the year ended March 31, 2007

	Budgeted Amounts			Variance with final budget- positive (negative)
REVENUES	Original	Final	Actual	
Contribution from local governments				
City of White Cloud	\$ 24,000	\$ 24,000	\$ 23,206	\$ (794)
Everett Township	52,479	52,479	53,218	739
Lincoln Township	44,129	44,129	44,171	42
Sherman Township	16,310	16,310	16,310	-
Wilcox Township	30,247	30,247	29,975	(272)
Investment earnings	250	250	556	306
Other contributions	400	400	1,000	600
Miscellaneous	2,600	2,600	2,015	(585)
Total revenues	170,415	170,415	170,451	36
EXPENDITURES				
Salaries and wages	49,500	49,500	39,194	10,306
Fringe benefits	5,225	5,225	3,434	1,791
Office expense	3,450	3,450	1,764	1,686
Professional services	2,750	2,750	1,200	1,550
Insurance and bonds	22,000	22,000	19,363	2,637
Utilities	8,350	8,350	8,290	60
Operating supplies	6,200	6,200	3,038	3,162
Fuel	4,000	4,000	3,977	23
Transportation	1,250	1,250	1,150	100
Firefighter gear and equipment	19,000	20,350	20,704	(354)
Repairs and maintenance	28,000	28,000	23,223	4,777
Training	2,000	2,000	380	1,620
Miscellaneous	2,025	2,225	2,147	78
Contingency	11,665	10,115	-	10,115
Total expenditures	165,415	165,415	127,864	37,551
Excess of revenues over expenditures	5,000	5,000	42,587	37,587
OTHER FINANCING USES				
Transfers out	(5,000)	(5,000)	(42,702)	(37,702)
Net change in fund balance	\$ -	\$ -	(115)	\$ (115)
Fund balance at April 1, 2006			30,601	
Fund balance at March 31, 2007			\$ 30,486	

White Cloud Area Fire Department

Building Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the year ended March 31, 2007

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 716	\$ 716
EXPENDITURES				
Office expense	75	75	14	61
Operating supplies	2,600	2,600	-	2,600
Total expenditures	2,675	2,675	14	2,661
Net change in fund balance	\$ <u>(2,675)</u>	\$ <u>(2,675)</u>	702	\$ <u>(1,945)</u>

Fund balance at April 1, 2006

18,919

Fund balance at March 31, 2007

\$ 19,621

White Cloud Area Fire Department
Capital Acquisition Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended March 31, 2007

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ -	\$ -	\$ 500	\$ 500
Miscellaneous	3,000	3,000	4,534	1,534
Total revenues	3,000	3,000	5,034	2,034
EXPENDITURES	-	-	-	-
Excess of revenues over expenditures	3,000	3,000	5,034	2,034
OTHER FINANCING USES				
Transfers in	5,000	5,000	42,702	37,702
Net change in fund balance	\$ 8,000	\$ 8,000	47,736	\$ 35,668
Fund balance at April 1, 2006			21,955	
Fund balance at March 31, 2007			\$ 69,691	

Other supplemental information

White Cloud Area Fire Department

Combining Balance Sheet

Other Governmental Funds

March 31, 2007

ASSETS

	Firemans Fund	Budget Stabilization	Auxiliary Fund	Total other governmental funds
ASSETS				
Cash and cash equivalents	\$ <u>4,851</u>	\$ <u>7,113</u>	\$ <u>4,737</u>	\$ <u>16,701</u>
Total assets	\$ <u><u>4,851</u></u>	\$ <u><u>7,113</u></u>	\$ <u><u>4,737</u></u>	\$ <u><u>16,701</u></u>

LIABILITIES AND FUND BALANCE

FUND BALANCES

Unreserved	\$ <u>4,851</u>	\$ <u>7,113</u>	\$ <u>4,737</u>	\$ <u>16,701</u>
Total fund balances	\$ <u><u>4,851</u></u>	\$ <u><u>7,113</u></u>	\$ <u><u>4,737</u></u>	\$ <u><u>16,701</u></u>

White Cloud Area Fire Department
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the year ended March 31, 2007

	Firemans Fund	Budget Stabilization	Auxiliary Fund	Total other governmental funds
REVENUES				
Fundraising activities	\$ 9,227	\$ -	\$ 4,968	\$ 14,195
Investment earnings	-	113	-	113
Other contributions	275	-	-	275
Miscellaneous	293	-	-	293
Total revenues	<u>9,795</u>	<u>113</u>	<u>4,968</u>	<u>14,876</u>
EXPENDITURES				
Fundraising expense	6,636	-	3,141	9,777
Firefighter gear and equipment	<u>849</u>	<u>-</u>	<u>1,730</u>	<u>2,579</u>
Total expenditures	<u>7,485</u>	<u>-</u>	<u>4,871</u>	<u>12,356</u>
Net change in fund balances/net assets	<u>2,310</u>	<u>113</u>	<u>97</u>	<u>2,520</u>
Fund balance at April 1, 2006	<u>2,541</u>	<u>7,000</u>	<u>4,640</u>	<u>14,181</u>
Fund balance at March 31, 2007	<u>\$ 4,851</u>	<u>\$ 7,113</u>	<u>\$ 4,737</u>	<u>\$ 16,701</u>